

Center for Medicaid and State Operations/Survey and Certification Group

Ref: S&C-05-35

DATE: June 9, 2005

TO: State Survey Agency Directors

FROM: Director
Survey and Certification Group

SUBJECT: **Hospitals** - Suspension of Processing New Provider Enrollment Applications (CMS-855A) for Specialty Hospitals

Letter Summary

- The purpose of this memorandum is to inform the Centers for Medicare & Medicaid Services (CMS) Regional Offices (ROs) and State Survey Agencies (SAs) of the suspension in processing provider enrollment applications by the Medicare fiscal intermediaries (FIs).
- CMS ROs are instructed not to issue any new provider agreements or authorize an initial survey in any specialty hospital after June 8, 2005.
- This suspension does not apply to those specialty hospitals that have requested a CMS-855A or have requested an Advisory Opinion from CMS prior to June 9, 2005.

Effective June 9, 2005, the Medicare fiscal intermediaries (FIs) have been instructed not to process any new Medicare provider enrollment applications (CMS-855A forms) for specialty hospitals, and not to forward recommendations for approval of CMS-855As for these hospitals to the CMS ROs or SAs.

ROs should not issue any new provider agreements or authorize an initial survey in any specialty hospital that has submitted a provider enrollment application (CMS-855A) on or after June 9, 2005. Additionally, SAs should not perform any initial Medicare surveys unless they first verify that the CMS-855A has been approved by the FI. In addition, if a new applicant specialty hospital receives accreditation as a hospital by the Joint Commission on Accreditation of Healthcare Organizations or the American Osteopathic Association, they may not receive approval to participate in Medicare until a recommendation for approval of the CMS-855A is received in the RO.

This suspension does not apply to those specialty hospitals that have submitted a provider enrollment application or requested an Advisory Opinion from CMS prior to June 9, 2005. In order to determine whether a specialty hospital has requested an advisory opinion prior to June 9, 2005, please contact Jacqueline Proctor at (410) 786-8852 or email her at jproctor2@cms.hhs.gov.

Background

Sections 507(b)(2) and (b)(3) of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) requires that both the Department of Health and Human Services and the Medicare Payment Advisory Commission (MedPAC) conduct a study of a set of important quality and cost issues related to certain physician-owned specialty hospitals. Section 507 of the MMA defines a “specialty hospital” as a hospital that is primarily or exclusively engaged in the care and treatment of patients with a cardiac condition, orthopedic condition, or receiving a surgical procedure.

In the Administrator’s May 12, 2005 testimony to Congress concerning specialty hospitals, Dr. McClellan expressed his concern that some entities that describe themselves as specialty hospitals may not meet the definition of a hospital. CMS also wants to be assured that, given their limited focus, specialty hospitals meet such core requirements that we determine are necessary for the health and safety of our beneficiaries. In addition, we wish to consider how EMTALA should apply to specialty hospitals, in particular with reference to potential transfer cases arising in the emergency departments of other hospitals.

Therefore, CMS is temporarily suspending the processing of new provider applications for specialty hospitals while we comprehensively review the procedures used to qualify these hospitals for participation in the Medicare program. This suspension does not apply to specialty hospitals that currently have provider agreements or those specialty hospitals that have requested an Advisory Opinion from CMS prior to June 8, 2005. For the purposes of this suspension, specialty hospitals are identified as those hospitals that have attested to the FI that: 1) they are primarily engaged in cardiac, orthopedic, or surgical care; or 2) project they will have at least 45 percent of inpatient cases in cardiac, orthopedic, or surgical care.

ROs and SAs that have questions concerning this memo should contact Frank Sokolik at (410) 786-7089 or e-mail at frank.sokolik@cms.hhs.gov.

Effective Date: Immediately. The SA should disseminate this information within 30 days of the date of this memorandum.

Training: The information contained in this announcement should be shared with all survey and certification staff, their managers, and the state/RO training coordinators.

/s/

Thomas E. Hamilton

cc: Survey and Certification Regional Office Management (G-5)